

# Fear: Traders' Thought Demon (Part II: Techniques to Deal with Fear)

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Samurai warriors were without a doubt some of the fiercest fighters who ever existed. The key to the samurai's incredible fighting ability was the complete elimination of their fear of death and their complete focus on being in the present moment. They did this by entirely de-energizing their fear of death. If a person in a fighting situation is distracted by thoughts of being hurt or dying, he will be the loser. Samurai warriors were unencumbered by these fears. They were courageous in the face of the unknown. They were empowered by a lack of fear, and this allowed them to completely focus, react and stay in the present moment. They fought without hesitation and with complete confidence. This is exactly the mindset of the successful trader.

Here are ways to deal with fear and eliminate it from your trading experience.

## Face Your Fears

The first step in controlling fear is to face it. If you are not willing to face your fear, then fear, not you will control your life. When you are afraid, use deep centered breathing (discussed in the relaxation section), acknowledge the fear, and face it head-on. Tell yourself, "I am stronger than my fear, I control my fear, and I can overcome my fear."

You will become more comfortable in the presence of a fear by decreasing your sensitivity to it. As you repeatedly face your fear you will realize that your energy in the fear will decrease.

Courage is moving ahead even though you're afraid. There is a wonderful true story of Ishi, the last living member of a Native American tribe. Ishi and his tribe believed trains were monsters that ate people. One day, Ishi found himself in the position of having to take a journey by train. When he boarded the train, he was asked by a person who understood the beliefs of his tribe, how he could step on the train. Ishi responded, "Since I was little, I was taught to always be more curious than afraid." Use fear as an opportunity to learn and progress.

## Acceptance of Responsibility

A critical element in dealing with fear is to accept that you alone are responsible for the creation and intensity of your fear. You must realize that you are responsible for your thought choices and the amount of energy you feed them. This recognition alone can put fear in perspective, diminish the energy in the fear, and prepare you for the acceptance of new thought choices.

Accepting responsibility for your thought choices puts you in control of your fear, not the other way around.

## Identify the Thought Choice

Our fears are created by our thought choices. In order to eliminate our fears, we must change the thought choices that create them. For example, if a trader fears losing money, he is unconsciously saying to himself, "I choose to experience the fear of losing money." That same trader can choose not to feed energy to this fear choice and make a different, conscious, choice. He can say, "I choose not to fear losing money and I accept that losing money is a part of the trading business."

Until you identify your fear thought choice, you cannot change it, and you keep the fear alive. Allow

yourself the freedom to make this new choice without judgment. Exercise your positive, conscious thought choice whenever the old fear choice returns. Each time you do this, you drain the energy from the old fear and you create the change you are striving for.

## **Acceptance of Risk**

It is very important that the trader completely and honestly accept the risks involved in trading. Trading is a business of percentages. Not every trade will make money. If a trader cannot accept the risk, he cannot fully commit himself to the trade. If he cannot fully commit himself, taking the next trade can be a frightening experience. He will lose confidence and become frustrated and locked in a cycle of fear and doubt.

On the other hand, if the trader has complete acceptance of the risk and all possible results, then he can be optimistic, committed and realistic about the next trade and its outcome. He can now move aside the interference caused by fear and confidently deal with any future outcome.

## **Eliminate Self-Sabotage**

Every trader has a level of comfort and familiarity with trading. To go beyond this level of comfort usually requires taking a risk. This is when fear, as an unconscious act of self-sabotage, can creep in. This fear is actually misguided self-preservation, intended to protect the trader from the fear and anxiety he may experience when he leaves his level of comfort and risks the possibility of things not going his way. A trader may fear that he would suffer embarrassment and personal devastation if he tried his best and failed. Fear as self-sabotage becomes the trader's excuse to maintain his level of comfort and the status quo. The easiest way to protect himself is not to try.

He can also self-sabotage his trading by initiating a trade that does not meet his trading strategy requirements. This way, if the trade doesn't work, he can tell himself that it wasn't his best effort because it wasn't his main strategy. He unconsciously has protected his comfort zone and his false mental perceptions.

The bottom line with self-sabotage is that the trader is linking his self-worth to trading. If the trader doesn't meet his own expectations of what being a successful trader means, his self-esteem will suffer. To avoid this blow to his ego, the trader trades carelessly, doesn't give it his all, and then uses the excuse that he didn't really fail because he wasn't really trying. This trader doesn't realize that a trading decision outcome has nothing to do with his self-worth, but is merely a profitable or unprofitable business decision.

The first step in eliminating self-sabotage is to recognize it. The trader must ask himself: Do I select trades that imply illusions of grandeur? Do I select trades with total disregard for my trading strategy? Do I feel that the trade is too much to handle and I just want to get it over with? A "yes" would indicate poor trade selection and lack of a risk management exit, both of which imply a total disregard for his trading strategy.

Secondly, the trader must re-center himself with deep breathing and focus on the strict application of his trading strategy.

## **Reality Check**

As a trader, if your greatest fear came true, what is the worst that can happen? Your honest answer can help you examine and deplete the energy of your fear.

## **Visualization**

Visualization is a powerful tool that allows a trader to identify, examine, experience and de-energize a fear. It allows you to mentally envision solutions to your fears in a non-threatening way. Visualization will

reduce your anxiety and prepare you if you're faced with the fear producing situation again.

## **Fear Lead-Up**

It is possible to stop fear before it gets started by identifying the conditions that immediately precede the fear, and by changing your reaction to the fear-producing situation.

For example, a trader has a solid, well-researched trading strategy. The trade entry and profit or loss exit is completely established before the trade is entered. However, once the trade is initiated, the trader watches every little price movement of the market. Eventually, the trader gets emotionally involved with each price move, becomes afraid, and feels a sense of urgency to exit the trade. The result is that the trader exits the trade before either its profit or loss price objective is reached. He never gave his well-researched trading strategy a chance to work for him.

The trader's lead-up to fear was his watching every movement of the market. In order to de-energize his fear, he changes the fear-producing conditions: once he has entered a trade with the appropriate profit and loss orders in place, he does not continually look at that market. Instead, he periodically checks the trade. This change eliminates his anxiety associated with every price change, and gives his trade and his trading strategy an opportunity to work for him.

## **Trading Plan**

A solid trading plan is crucial for any trading business. It provides the trader with strategies for trading in any market condition, and a solid foundation for a successful trading business. It can also protect a trader from one of the things that can destroy a trading business, or any business for that matter – the surprise event. A well-planned trading strategy, including capital allocation parameters, and defined entry, exit and risk management criteria will allow the trader to trade without fear, knowing he is prepared for any potential event.

## **Learn From It**

Fear can be an opportunity to learn and progress. Learn from it and move on. Visualize solutions with you calmly and confidently acting out those solutions. This will prepare you and reduce your anxiety if you're faced with the fear producing situation again. If you forget about yourself and your fears and completely focus only on what needs to be done you will neutralize your fears and they will never stop you.

This article is an excerpt from Daniel Gramza's book: *Trading in the Eye of the Storm*

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